

**MINUTES
ORLANDO UTILITIES COMMISSION
August 26, 2014
2:00 P.M.**

Present:

COMMISSIONERS:

Dan Kirby, President
Linda Ferrone, First Vice President
Maylen Dominguez, Second Vice President
Gregory D. Lee, Commissioner
Buddy Dyer, Mayor

Kenneth P. Ksionek, General Manager & Chief Executive Officer
Jan Aspuru, Clint Bullock, Roseann Harrington, Byron Knibbs, Chip Merriam and
Rob Teegarden, Vice Presidents
Jerry Sullivan, Vice President & Chief Information Officer
John H. Hearn, Vice President & Chief Financial Officer
W. Christopher Browder, Vice President & General Counsel
Nanci Schwartz, Recording Secretary

President Kirby asked John Hearn to give the invocation, followed by the Pledge of Allegiance to the Flag. The Commission Meeting was called to order at 2:01 P.M.

* * *

On a motion by Commissioner Lee, seconded by Commissioner Ferrone and unanimously carried, the reading of the minutes of the July 22, 2014 Budget Workshop was waived and the minutes were approved. On a motion by Commissioner Dominguez, seconded by Commissioner Ferrone and unanimously carried, the reading of the minutes of the July 22, 2014 Commission Meeting was waived and the minutes were approved.

* * *

President Kirby acknowledged former Commissioner Lonnie Bell in attendance at the meeting.

* * *

Clint Bullock presented a 35-year service award to Danny Davidson, Lead Electrician, Electric and Water Delivery.

Clint Bullock presented a 25-year service award to Noel Cadogan, Electrician I, Electric and Water Delivery.

John Hearn presented a 25-year service award to Linda Howard, director, Treasury Services/Treasurer, Financial and Support Services.

Jan Aspuru presented a 25-year service award to James Yarborough, Jr., Supervisor, Maintenance, Electric and Water Production.

* * *

Roseann Harrington announced that OUC recently ranked Number 8 for the 2014 Top 100 Companies for Working Families award. She thanked Janie Wallace and the Human Resources staff for their hard work.

Ms. Harrington introduced former Commissioner Lonnie Bell and Ron Rogers from 100 Black Men of Orlando. Mr. Bell gave a presentation about the organization and scholarship program, and thanked OUC for its support and participation.

* * *

Mr. Ksionek asked Jan Aspuru to provide a presentation on Affirmative Item A-9 regarding the Renewable Energy Power Purchase Agreement (PPA) for the John E. Drury (JED) Landfill Gas-to-Energy (LFGE) Project. Mr. Aspuru stated that the 9.0 MW Power Purchase Agreement (PPA) with Shaw Environmental (now CB&I Environmental & Infrastructure, Inc. (CB&I)), was approved by the Commission on December 10, 2013. At that time, it was decided to wheel energy through the Duke Energy system, even though it was possible to make a direct interconnection with the OUC system in order for the contract to proceed.

OUC and CB&I have evaluated the direct interconnection and this option would give OUC an advantage on the Project's expansion capacity, as well as avoid wheeling charges from Duke. CB&I will also contribute \$1.5 million to the Project, making the net cost of interconnection \$3.25 million.

President Kirby asked who would pay for the wheeling costs under the initial Project, and if the new interconnection line would be constructed by OUC. Mr. Aspuru stated that OUC would pay for the wheeling charges, and confirmed that OUC would construct the line. The LFGE Project will last approximately 40 years, and the line is a permanent improvement.

Commissioner Dominguez asked if the cost to wheel energy is prone to increase, and Mr. Aspuru replied affirmatively.

Commissioner Ferrone asked about the possibilities of the deal breaking in the future. Mr. Aspuru stated that the contract has been approved and executed, so there is no chance of OUC losing the 9.0 MW, and can only expand in the future. Mr. Browder added that OUC has added contractual remedies depending on the different scenarios to cover costs.

* * *

Mr. Ksionek asked Chip Merriam to provide a presentation on Affirmative Item A-14 regarding the Avian Consulting Services. Mr. Merriam stated that the State of Florida is number three in the nation in total reproductive American Bald Eagle nests, and St. Cloud is the number two densest population of eagles, second only to Alaska. He explained the reasons why eagles are attracted to build their nests on distribution lines and poles, and the results of such occurrences. These include collision with transmission structures or lines, collision with distribution lines and electrocutions. As a result of recent mortalities, OUC has developed a proactive Avian Protection Program. Mr. Merriam explained OUC's efforts, including wire line covers and working with national organizations to develop strategies.

Commissioner Dominguez asked if OUC was utilizing national best practices. Mr. Merriam replied that OUC is beyond national best practices because the strategies are tailored specifically to Florida. Mr. Merriam clarified that OUC responds when an eagle mortality occurs, but also continues to expand the coverage of eagle activity in that area. OUC is also utilizing computer models to determine future placement of avian-safe products.

Commissioner Ferrone asked OUC could take advantage of any government funding programs or university partnerships. Mr. Merriam replied that OUC has shared notes with Duke Energy and Florida Power & Light, and there may be partnerships in the future.

* * *

Mr. Ksionek asked Roseann Harrington to provide a presentation on Affirmative Item A-16 regarding the Educational Outreach Program with the Orlando Science Center (OSC). The partnership began in 2009 with the goal to increase awareness of water and energy conservation among Orange and Osceola County students. OSC instructors visit fifth grade classrooms twice per year prior to the science FCAT exam. OUC updated the curriculum in 2013 to align with Science, Technology, Engineering and Mathematics fields; 21st century learning skills; Florida next generation Sunshine State standards; and common core standards for fifth grade. OUC has reached over 40,000 students and 1,930 classes with an evaluation average of 4.9 out of 5.0. Ms. Harrington described several experiments performed by students.

Commissioner Dominguez asked who creates the curriculum. Ms. Harrington responded that OUC creates the curriculum with the OSC, and the school system

must approve the curriculum. She recognized Heather Norton from OSC in the audience.

* * *

Mr. Ksionek asked Chris Browder to provide a presentation on Affirmative Item A-17 regarding the Commission Property and Casualty Insurance Purchases/Renewals. Mr. Browder stated that OUC tries to contain insurance costs by working to evaluate and manage claims, as well as having a self-insured retention. OUC puts aside money on each of its six risk categories to use for its self-insured retention fund. To determine the appropriate amounts to use for self-insured retention, OUC evaluates historical expenditures and claims and works with brokers who assist in cost projections. The final cost is determined by October of each year when the brokers finalize their costs.

Commissioner Ferrone asked if cybersecurity issues would fall under the insurance policy for criminal activity. Mr. Browder stated this would depend on if funds were removed and needed to be replaced, or if it was limited to corrupted files. For physical damage to files or equipment, OUC would potentially utilize the property policies. For lost funds, claims would fall under theft policies.

* * *

Commissioner Lee announced a conflict of interest regarding Affirmative Item A-5. President Kirby presented the remaining Affirmative Items for approval. On a motion by Commissioner Dominguez and seconded by Commissioner Lee, the Affirmative Items, with the exception of Affirmative Item A-5, were approved as follows:

1. Ratification of the fuel procurements to the low bidders in March and April 2014 in the aggregate amount \$21,323,984.70 as follows:

NATURAL GAS PURCHASES:

May 2014	BG Energy	\$2,029,455.39
May 2014	BP Energy	\$ 858,030.00
May 2014	ConocoPhillips	\$1,493,267.61
May 2014	EDF Trading (Formerly Eagle Energy)	\$1,960,733.17
May 2014	Enbridge Marketing, LP	\$ 595,143.58
May 2014	Energy America	\$ 226,375.00
May 2014	ENI USA Gas Marketing	\$ 131,972.50
May 2014	Infinite Energy	\$1,511,583.62
May 2014	Macquarie Cook Energy, LLC	\$4,175,290.95
May 2014	Shell Energy	\$ 176,200.00
May 2014	Southwestern Energy	\$ 891,200.86
May 2014	Tenaska Marketing Ventures	\$ 818,116.20
May 2014	Texla Energy Management, Inc.	\$2,239,302.99

COAL PURCHASES:

May 2014	Crimson Coal Corporation	\$1,229,649.84
May 2014	James River Coal, Inc.	\$ 747,328.05
May 2014	MR Coal Marketing & Trading, LLC	\$2,240,334.94

2. Ratification of a single source Purchase Order to GE Mobile Water, Inc. to provide Stanton Energy Center with a portable reverse osmosis and filtration system in the amount of \$653,378, pending final contract negotiations and OUC legal review. The contract term is 75 days;
3. Approval of a sole source Purchase Order to Teledyne Monitor Labs, Inc. for the Stanton Energy Center Continuous Emissions Monitoring System Maintenance Contract in the amount of \$350,000, pending final contract negotiations and OUC legal review. The contract term is five years;
4. Approval of Purchase Orders to Progress Rail Services; WATCO Companies, Inc.; Reliable Rail Services, LLC; and Appalachian Railcar Services, Inc. to provide railcar repairs and maintenance for Fiscal Years 2015 and 2016 in an aggregate amount of \$2,885,000;
5. Pulled for separate vote;
6. Approval of RFP #3743 - Contract award to AirTek Construction, Inc., the lowest, most responsive and responsible vendor, to provide the inspection and repairs services for the Stanton Energy Center Unit 2 precipitator in the amount of \$339,800, pending final contract negotiations and OUC legal review;
7. Approval of a Capital Expenditure Estimate for the Stanton Energy Center Unit 1 Mercury Removal System Project in the amount of \$1,650,000. Approval of RFP #3741 - Contract award to Nol-Tec Systems, Inc., the sole responsive and responsible vendor, to provide an activated carbon injection system for mercury removal at Stanton Energy Center Unit 1 in the amount of \$1,180,450, pending final contract negotiations and OUC legal review;
8. Approval of RFP #3717 - Contract award to AZZ SMS, LLC, the sole responsive and responsible vendor, to perform the Stanton Energy Center Units 1 & 2 and Stanton Energy Center Combined Cycle Unit B steam generator inspection and repair services in the amount of \$3,356,654, pending final contract negotiations and OUC legal review;
9. Authorization for the General Manager & CEO to execute Amendment No. 1 to the Renewable Energy Power Purchase Agreement with CB&I Environmental & Infrastructure, Inc., pending final contract negotiations and OUC legal review;

10. Approval of the Electric Distribution Construction Estimate for the John E. Drury Landfill Gas-to-Energy Project in the amount of \$4,750,000 for installation of the electric distribution interconnection facilities along East Irlo Bronson Memorial Highway and State Road 441, with customer contributions in the amount of \$1,500,000;
11. Approval of Change Request No. 1 to the Substation Capital Expenditure Estimate for engineering, procurement and construction support necessary to complete the Taft Substation Line Reconfiguration Project in the amount of \$2,585,000, increasing the total project cost to \$2,680,000. Approval of an OUC initiated scope change and conforming Change Order No. 1 to Power Engineers, Inc. in the amount of \$558,000 to provide design engineering and construction management services for the Taft Substation Line Reconfiguration Project, increasing the total Purchase Order amount to \$653,000;
12. Ratification of an OUC initiated scope change and conforming Change Order No. 1 to PA Consulting Group to provide a business practice review and implement solutions for the Customer Service Division in the amount of \$75,000, increasing the total Purchase Order amount to \$135,000;
13. Approval of a Purchase Order to the City of St. Cloud for fuel procurement in the amount of \$600,000. The contract term is three years, beginning October 2, 2014 through September 30, 2017;
14. Approval of an OUC initiated scope change and conforming Change Order No. 1 to Normandeau Associates, Inc. in the amount of \$250,000 to provide continued avian consulting services and Eagle Conservation Plan, increasing the Purchase Order amount to \$322,000;
15. Approval of a single source Purchase Order to ARCADIS U.S., Inc. for groundwater and surface water modeling in support of OUC's Consumptive Use Permit in the amount of \$400,000;
16. Approval of an OUC initiated scope change and conforming Change Order No. 3 to the Orlando Science Center to continue providing an educational outreach program to Orange and Osceola County fifth grade students in OUC's service territory for a one-year period in the amount of \$255,750, increasing the total Purchase Order amount to \$949,500;

17. Approval of a Purchase Order for OUC's 2015 property and casualty insurance premiums in an amount not to exceed \$3,894,280;
18. Approval of RFP #3660 - Contract award to Tyndale Company, the most responsive and responsible vendor, to provide flame resistant clothing and services in the amount of \$641,410. The contract term is three years with two one-year renewal options;
19. Authorization for the General Manager & CEO to execute the First Amendment to Electrical Utility Easement for property located at the corner of Mills Avenue and Virginia Drive, pending final OUC legal review;
20. Approval of a single source Purchase Order to Presidio Networked Solutions, Inc. for one blade chassis, eight blade servers and four rack-mounted servers for disaster recovery purposes in the amount of 165,422.08;
21. Approval of an OUC initiated scope change and conforming Change Order No. 2 to Titan Technology Partners to continue providing Configurable Network Computing and technical support services through July 31, 2015 in the amount of \$460,000, increasing the total Purchase Order amount to \$1,477,816.75;
22. Approval of an OUC initiated scope change and conforming Change Order No. 2 to AXS-One, Inc. for annual email archive software and support services for the period October 1, 2014 through September 30, 2015 in the amount of \$45,000, increasing the total Purchase Order amount to \$135,000;
23. Approval of an OUC initiated scope change and conforming Change Order No. 2 to Telvent USA, LLC in the amount of \$36,203 for software maintenance and support of the ArcFM utility GIS software for the period of September 1, 2014 through August 31, 2015, increasing the total Purchase Order amount to \$106,869.27;
24. Approval of an OUC initiated scope change and conforming Change Order No. 1 to ESRI in the amount of \$85,000 for software maintenance and support of the ESRI ArcGIS software and Developer Network for the period of September 7, 2014 through September 6, 2015, increasing the total Purchase Order amount to \$170,000; and
25. Approval of an OUC initiated scope change and conforming Change Order No. 2 to InsightSoftware.com, Inc. for purchase of additional

software licenses and annual software support and maintenance renewal for the period of September 30, 2014 through September 29, 2015 in the amount of \$147,679.50, increasing the total Purchase Order amount to \$843,546.30.

26. Authorization for the General Manager & CEO to execute the First Amendment to Electrical Utility Easement with SkyHouse Orlando, LLC for property located west of North Rosalind Avenue and south of East Livingston Street, pending final contract negotiations and OUC legal review.

On a motion by Commissioner Ferrone, and seconded by Mayor Dyer, Affirmative Item A-5 was approved as follows:

5. Approval of a sole source Purchase Order to Siemens Industries, Inc. to provide standard parts for proprietary equipment and maintenance services for OUCooling chilled water plants in the amount of \$847,362. The contract term is three years with two one-year renewal options.

Commissioner Lee previously announced a conflict of interest and abstained from the vote.

* * *

Mr. Ksionek presented the 2015 Operating Budget and 2015-2019 Capital Plan for consideration. The budget was presented to Commissioners at the July 22, 2014 Budget Workshop and approval is requested at this time.

On motion by Commissioner Ferrone, seconded by Commissioner Dominguez, New Business Item 1a/1b was adopted and accepted as follows:

NB-1a/1b Adoption of the proposed 2015 Operating Budget as presented and acceptance of the 2015-2019 Capital Plan as presented.

* * *

John Hearn stated that net income for the months ended July 31, 2014 is approximately \$69 million, approximately \$7 million ahead of budget. The bottom line variance is mostly driven by wholesale resale energy that has occurred throughout the year. Retail electric energy is slightly under budget, and water is also slightly under budget. Lighting and chilled water services are ahead of budget.

* * *

Chris Browder reported that in July, Indian River County filed a petition with the Florida Public Service Commission for declaratory statement regarding rights

related to serving territory, territorial agreements, and underlying property rights where utilities locate their facilities. This is a matter of general interest for all utilities. In addition, Indian River County has the franchise area which the City of Vero Beach uses to serve outside the city customers. OUC was named in the county's petition as having an agreement with Vero Beach, which gave OUC standing to intervene as a party. The intervention was granted on August 19 and OUC filed a motion to dismiss on August 22. OUC recommends that the PSC not take up such questions unless a specific scenario is being addressed.

* * *

Mr. Ksionek announced that Thursday, August 21, hit a new all-time peak of 1,198 MW in Orlando, passing the previous system peak by only 7 MW, which occurred in January 2010. OUC is once again a summer peaking utility.

Mr. Ksionek discussed the positive effects of OUC's conservation and energy efficiency programs as well as economic conservation from the recession. While there has been a five percent increase in the number of meters installed since 2007, there has been a five percent decrease in megawatt hour sales. Average monthly usage in 2007 was approximately 1,027 kilowatt hours. Current average monthly usage is 907 kilowatt hours. He reiterated OUC's goal of selling energy in a conservative, cost-effective and efficient manner. He thanked Mayor Dyer for the City's announcement to craft an Efficiency and Green Building Policy.

* * *

Mr. Ksionek asked Chip Merriam to provide an update on the Indian River Plant water use permitting process. Mr. Merriam explained that it can be a challenging and litigious process to renew consumptive permits such as the Indian River project. Mr. Merriam thanked Chris Russell for her work spearheading the project and the significant cost savings of approximately \$300,000

* * *

Commissioner Lee stated that he enjoyed the Service Awards and congratulated the employees for their combined 110 years of service. He thanked Mr. Merriam for the Avian Protection Update. He is a supporter of the OSC and thanked Ms. Harrington for the update on Project A.W.E.S.O.M.E. He expressed his appreciation for the explanation of the Budget process as a first-time Commissioner.

Commissioner Ferrone expressed her appreciation of the Service Awards and congratulated OUC on the Top 100 Companies for Working Families award. She also congratulated staff on the budget and continued efforts towards increased sustainability. She noted several themes present in the meeting, including high standards of excellence and a sense of ownership. She enjoyed hearing about

the protection of wildlife and noted that it's not only doing the right thing, but it's also smart business. She stated she would like to hear more about OUC's water conservation and sustainability efforts in the community.

Mayor Dyer discussed a recent Climate & Energy Summit with Commissioner Dominguez as one of the panelists, and stated it was highly successful. He appreciated the participation of OUC staff at the summit as well as their continued partnership towards greater sustainability.

Commissioner Dominguez thanked the Mayor for his leadership and hosting the summit. She stated that OUC was noted as a positive example many times. She stressed that OUC needs to continue to live up to its reputation, and also understand the effects of being a community utility.

President Kirby stressed OUC's role as a community resource and commended Project A.W.E.S.O.M.E. for investing in the future of the community. He congratulated staff for being named to the Top 10 Companies for Working Families list. He encouraged the audience to vote.

* * *

President Kirby adjourned the meeting at 3:46 P.M.

President

Secretary